

Interstate Commerce Commission  
Washington, D. C.

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JUN 5 1979  
50<sup>00</sup>

RECORDATION NO. 10422 Filed 1425

JUN 5 1979 - 10 10 AM  
INTERSTATE COMMERCE COMMISSION

Gentlemen:

Enclosed for recordation under the provisions of 49 U.S.C. §11303 are the original and 13 counterparts of a Lease dated as of April 1, 1979.

A general description of the railroad rolling stock covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor: The Connecticut Bank and Trust Company, as Trustee under U. C. Trust No. 18  
One Constitution Plaza  
Hartford, Connecticut 06115

Lessee: Union Carbide Corporation  
270 Park Avenue  
New York, New York 10017

The undersigned is the Lessor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and 11 copies of the Lease to Ronald E. Roden, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee under U. C. Trust No. 18

By

Its ASSISTANT VICE PRESIDENT

LESSOR AS AFORESAID

Enclosures

RECEIVED  
JUN 5 10 06 AM '79  
I.C.C.  
FEE OPERATION BR.

*C. T. Roden*

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)*</u>	<u>Estimated Time of Delivery</u>
203	100-ton railroad covered hopper cars	UCFX 57101 through UCFX 57303	135 Items in June-July 1979; 68 Items in December 1979
8	100-ton railroad tank cars	UCFX 30001 through UCFX 30008	December 1979

\*A car number includes a mark, comprised of letters, followed by numerals.

SCHEDULE A

10422

RECORDATION NO. .... Filed 1425

JUN 5 1979 -10 10 AM

INTERSTATE COMMERCE COMMISSION

U. C. TRUST NO. 18

LEASE

Dated as of April 1, 1979

Between

THE CONNECTICUT BANK AND TRUST COMPANY,  
AS TRUSTEE

Lessor

And

UNION CARBIDE CORPORATION

Lessee

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(203 Railroad Covered Hopper Cars  
and  
8 Railroad Tank Cars)

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ATTACHMENTS TO LEASE:

Schedule 1 - Description of Equipment

Schedule 2 - Schedule of Casualty Value

Schedule 3 - Schedule of Termination Value

Exhibit A - Certificate of Acceptance

Exhibit B - Lease Supplement

## LEASE

LEASE dated as of April 1, 1979 (the "Lease") between THE CONNECTICUT BANK AND TRUST COMPANY, not individually but solely as Trustee under U. C. Trust No. 18 ("Lessor"), and UNION CARBIDE CORPORATION ("Lessee").

### R E C I T A L S:

In recognition of the recitals in the Participation Agreement and in consideration of each other's agreements herein and in the Participation Agreement, Lessor and Lessee agree as follows:

#### SECTION 1. DEFINITIONS.

1.01. Definitions. The following terms have the following meanings, unless the context otherwise requires:

"Acceptance Date" means a date, not before the Deposit Date and not after the Outside Delivery Date, on which an Item is accepted under the Lease.

"Basic Rent" means Interim Rent, Periodic Rent, and Casualty Value and Termination Value payments.

"Certificate of Acceptance" means a Certificate of Acceptance substantially in the form of Exhibit A.

"Equipment" means the railroad covered hopper cars or tank cars described in Schedule 1.

"Item" means each of the railroad covered hopper cars or tank cars described in Schedule 1.

"Lease Supplement" means a supplement to the Lease substantially in the form of Exhibit B.

"Participation Agreement" means the Participation Agreement dated as of April 1, 1979 among all Parties.

"Party" means each of Lessor, Lessee, Equity, Lender-Trustee, and Lenders.

"Periodic Rent" means the amounts payable by Lessee during the Primary Term and any Renewal Term of an Item pursuant to Section 3.02(b) and (c).

"Rent" means Basic Rent and Supplemental Rent.

"Supplemental Rent" means all amounts other than Basic Rent payable by Lessee to any Party under an Agreement.

"Term" means the Interim Term, Primary Term and Renewal Term(s), if any, of an Item.

"Total Cost" of an Item means:

(a) the purchase price for the Item as shown on the Manufacturer's invoice for the Item;

(b) amount allocable to the Item of progress payments made by Lessee to Manufacturer;

(c) sales and use taxes allocable to the Item;

(d) cost allocable to the Item of transporting it to the point of acceptance;

(e) cost allocable to the Item of storing it prior to its acceptance;

(f) cost allocable to the Item of lining it;  
and

(g) all other costs and expenses allocable to the manufacture and delivery of the Item and includible in the basis of the Item under the Code for purposes of depreciation of the Item and calculation of the investment tax credit for the Item. '

Lessee shall allocate any of the costs or other amounts enumerated in clauses (b) through (g) above to each Item on any basis which Lessee considers appropriate and practical. Lessee may allocate any of such costs or amounts to some Items but not others.

1.02. Other Definitions in Lease. The following terms used herein are defined elsewhere in the Lease as indicated below and have the meanings stated herein:

<u>Term</u>	<u>Section in Lease</u>
" <u>Appraisal Procedure</u> "	19
" <u>Casualty Occurrence</u> "	11.01
" <u>Casualty Value</u> "	11.04; 19.05
" <u>Event of Default</u> "	14.01



<u>Term</u>	<u>Section in Lease</u>
" <u>Interim Rent</u> "	3.02
" <u>Interim Term</u> "	3.01
" <u>Payment Date</u> "	3.04
" <u>Primary Term</u> "	3.01
" <u>Optional Retirement</u> "	11.04
" <u>Rental Value</u> "	19.01
" <u>Renewal Term</u> "	3.01
" <u>Sales Value</u> "	19.01
" <u>Site</u> "	13.01
" <u>Termination Value</u> "	11.04; 19.05

1.03. Other Definitions in Participation Agreement. The following terms used herein are defined in the Participation Agreement as indicated below and have the meanings stated therein:

<u>Term</u>	<u>Section in Participation Agreement</u>
" <u>Acceptance Period</u> "	1.01
" <u>Agreements</u> "	1.01
" <u>Business Day</u> "	1.01
" <u>Code</u> "	1.01
" <u>Conditional Event of Default</u> "	1.01
" <u>Cut-Off Date</u> "	3.03
" <u>Deposit Date</u> "	4
" <u>Equity</u> "	1.01
" <u>Escrow Earnings</u> "	3.03
" <u>Escrow Fund</u> "	3.03
" <u>Escrow Gain</u> "	3.03
" <u>Escrow Loss</u> "	3.03
" <u>Governmental Agency</u> "	1.01
" <u>Group 1 Item</u> "	1.01

<u>Term</u>	<u>Section in Participation Agreement</u>
"Group 2 Item"	1.01
"Group 3 Item"	1.01
"Interim Notes"	3.01
"Investor"	1.01
"Lender"	Preamble
"Lender-Trustee"	Preamble
"Liens"	1.01
"Manufacturer"	1.01
"Original Investment Assumptions"	13.04
"Outside Delivery Date"	1.01
"Primary Term Commencement Date"	1.01
"Purchase Order"	1.01
"Responsible Officer"	1.01
"Secured Notes"	1.01
"Security Agreement"	1.01
"Settlement Date"	5
"Tax Benefits"	13.01

1.04. Construction. Terms defined in the plural include terms used in the singular, and terms defined in the singular include terms used in the plural.

## SECTION 2. ACCEPTANCE OF EQUIPMENT.

2.01. Intention to Lease. Lessor intends to lease to Lessee, and Lessee intends to lease from Lessor, the Equipment, all on the terms and conditions set forth below.

2.02. Inspection and Acceptance. On or before the Acceptance Date for an Item, Lessee shall inspect it in accordance with Lessee's customary procedures. If the conditions in Sections 6.01 and 6.02 of the Participation Agreement have been met or waived, and if the Item passes Lessee's inspection, Lessee, as agent for Lessor, shall accept delivery of the Item from the

Manufacturer by executing and delivering to Lessor a Certificate of Acceptance for the Item. Lessee's delivery to Lessor of a Certificate of Acceptance for an Item shall conclusively establish that the Item is subject to the Lease. Lessee shall not accept an Item (i) after the Outside Delivery Date or (ii) if the sum of the Total Cost of such Item and the Total Cost of all Items concurrently or previously accepted by Lessee under this Lease would exceed \$10,300,000.

2.03. Lease Supplements. On or before the Primary Term Commencement Date for an Item, Lessee and Lessor shall execute and deliver a Lease Supplement for the Item.

2.04. Title in Lessor. Lessor retains title to the Equipment. Delivery of Equipment to and its possession by Lessee constitutes a leasing.

### SECTION 3. LEASE TERM AND RENT.

3.01. Lease Term. Subject to earlier termination pursuant to Section 11 or 14, the term of the Lease for an Item is as follows:

(a) Interim Term. The Interim Term of the Item shall begin on its Acceptance Date and end on its Primary Term Commencement Date.

(b) Primary Term. The Primary Term of the Item shall begin on its Primary Term Commencement Date and shall end on the 25th anniversary of such Primary Term Commencement Date.

(c) Renewal Terms. The first Renewal Term, if any, of the Item shall begin on the date its Primary Term ends and end on the fifth anniversary of such date. The second Renewal Term, if any, shall begin on the date the first Renewal Term ends and end on the fifth anniversary of such date.

3.02. Rent. Lessee shall pay to Lessor the following rent:

(a) Interim Rent.

(i) The amount by which (A) interest accrued and unpaid on the from time to time unpaid principal amount of the Interim Notes exceeds (B) the aggregate amount of Escrow Earnings held by Lender-Trustee as part of the Escrow Fund under Section 3.03 of the Participation Agreement;

(ii) For each Item, an amount per day equal to 0.0095932% of the Total Cost of

such Item in the case of a Group 1 or 3 Item or 0.0096404% of the Total Cost of such Item in the case of a Group 2 Item, for the period from and including the Settlement Date for such Item to the Primary Term Commencement Date; and

(iii) An amount equal to the amount payable by Lessor to Lender-Trustee pursuant to Section 3.03(c) of the Participation Agreement.

(b) Periodic Rent for Primary Term. For each Item, an amount equal to 3.94152% of the Total Cost of such Item payable on each Payment Date occurring during the Primary Term of the Item.

(c) Periodic Rent for Renewal Terms. For each Item, semiannual installments payable in arrears in an amount to be determined in accordance with Section 19.

Lessee shall promptly pay to the Party entitled thereto Supplemental Rent when due.

3.03. Rental Adjustments. (a) Rental Adjustment for Escrow Loss. In the event Escrow Losses exceed Escrow Gains during an Acceptance Period, Lessee shall pay to Lessor as Supplemental Rent on each Periodic Rent Payment Date following such net Escrow Loss such sums which (after deduction of all income taxes required to be paid by Equity on the payment of such sums under the laws of the United States or any political subdivision thereof and after giving effect to any decrease in Equity's Federal income tax liability as a result of increased deductions for such additional state and local income taxes), when taken together with the portion of the Periodic Rent installments due on such dates under this Lease, will maintain Equity's after-tax economic and accounting yields and cash flows (computed on the Original Investment Assumptions taking into account Equity's additional investment due to a net Escrow Loss) in respect of Items hereunder and under the Participation Agreement at the same level that would have been available if Equity had been entitled to utilization of all the Tax Benefits.

(b) Rental Adjustment for Escrow Gains and Escrow Earnings. In the event there are net Escrow Gains (i.e., total Escrow Gains exceed total Escrow Losses during an Acceptance Period), or if there are excess Escrow Earnings remitted to Equity pursuant to Section 3.03(c) of the Participation Agreement, the Periodic Rent installments shall be adjusted downward to reflect that such net Escrow Gains and such excess Escrow Earnings, when taken together with a portion of the Periodic Rent installments due on such dates under this Lease, will maintain Equity's after-tax economic and accounting yields and cash flows (computed on the Original Investment Assumptions

taking into account Equity's net Escrow Gains and excess Escrow Earnings) in respect of Items hereunder and under the Participation Agreement at the same level that would have been available if Equity had been entitled to utilization of all the Tax Benefits; provided, however, that the Periodic Rent under this Lease shall in no event be reduced below amounts required to discharge the Secured Notes, premium, if any, and interest accrued thereon to the date on which any Periodic Rent shall be due and payable under this Lease.

3.04. Payment Dates. The dates for payment of Interim Rent and Periodic Rent are as follows:

(a) Interim Rent. The Interim Rent referred to in clauses (i) and (ii) of Section 3.02(a) shall be due and payable on the Primary Term Commencement Date for an Item. The Interim Rent referred to in clause (iii) of Section 3.02(a) shall be due and payable on the Cut-Off Date.

(b) Periodic Rent for Primary Term. Installments of Periodic Rent for an Item during its Primary Term shall be due and payable as follows:

(1) the first installment on January 25 or July 25 first to occur after the Primary Term Commencement Date for the Item;

(2) subsequent installments (except the last) on each January 25 and July 25 thereafter during such Primary Term; and

(3) the last installment on the date such Primary Term ends.

(c) Periodic Rent for Renewal Terms. Installments of Periodic Rent for an Item during its Renewal Term shall be due and payable semiannually in arrears.

A date on which a payment of Interim Rent or Periodic Rent is due is called a "Payment Date" herein.

3.05. Place of Rent Payment. All payments of Basic Rent shall be made to Lessor in immediately available funds at or before 9:30 A.M., San Francisco time, at the office of Lender-Trustee at 343 Sansome Street, San Francisco, California 94106, Attention: Corporate Trust Department, or at such other place in the United States as Lessor shall specify in writing to Lessee.

All payments of Supplemental Rent shall be made to the Party entitled thereto at its address shown in the Participation Agreement or at such other address in the United States as such Party shall specify in writing to Lessee.

3.06. Net Lease. This Lease is a net lease. Lessee's obligation to pay all Rent when due shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including without limitation:

(a) any setoff, counterclaim, recoupment, reduction, deferment, defense or other right which Lessee may have against any Party, any Manufacturer or anyone else for any reason, including any claim of Lessee against any of the foregoing;

(b) any defect in the title, condition, design, operation or fitness for use of any Item;

(c) any damage to or loss or destruction of any Item or any interruption or cessation in the use or possession thereof by Lessee for any reason;

(d) the invalidity or unenforceability of the Lease or any other infirmity therein or any lack of power or authority of Lessee or Lessor to enter into the Lease;

(e) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee; or

(f) any other circumstances or happening, whether or not similar to the foregoing.

Lessee waives, to the extent permitted by applicable law, any rights which it may have now or later to terminate the Lease except in accordance with its express terms. Each payment of Rent made by Lessee shall be final and Lessee shall not seek to recover all or any part of such payment from any Party for any reason.

#### SECTION 4. IDENTIFICATION OF EQUIPMENT.

Before any Item is accepted under the Lease, Lessee shall:

(a) number it with a car number shown on Schedule 1; and

(b) mark it conspicuously and legibly on each side with a legend in letters not less than 1/2" in height as follows:

OWNED BY A BANK OR TRUST COMPANY AND SUBJECT  
TO A SECURITY INTEREST RECORDED WITH THE  
INTERSTATE COMMERCE COMMISSION.

Thereafter, Lessee shall replace as soon as practical any such legend or car number that is removed, defaced or destroyed. Lessee

shall make such changes in the legend as may be required to protect under the laws of the United States Lessor's title to and Equity's interest in the Equipment and Lender-Trustee's security interest under the Security Agreement. Lessee shall not change any car numbers unless it first files a statement of substitute numbers with Lessor and in each public office where the Lease is filed or recorded.

Except as provided above, Lessee shall not permit anyone's name to be placed on the Equipment as a designation of ownership. However, the Equipment may bear names, initials, insignia or designations:

- (1) to identify Lessee's or another's right to use the Equipment under the Lease;
- (2) for advertising purposes; or
- (3) for uses permitted by Section 17.

Lessee, at its cost and expense, shall remove any such markings from an Item prior to its return to Lessor under Section 13.

#### SECTION 5. LESSOR DISCLAIMERS; AGENCY.

LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF ANY ITEM FOR A PARTICULAR PURPOSE OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM. ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE.

Lessor appoints Lessee as its agent so long as no Event of Default occurs and is continuing to pursue, in the name of and for the account of Lessor and/or Lessee, as their interests may appear, at Lessee's cost and expense, whatever claims and rights Lessee or Lessor may have against a Manufacturer or any other person with respect to the manufacture, construction or transportation of an Item.

#### SECTION 6. INSURANCE.

6.01. Required Insurance. If an Event of Default occurs and is continuing, or if and so long as Lessee's consolidated stockholders' equity is less than \$1 billion, Lessee shall procure and maintain in respect of the Equipment:

(a) property damage insurance in an amount not less than the aggregate Casualty Value of the Equipment subject to the Lease from time to time; and

(b) public liability insurance in an amount not less than:

per claim: \$1 million

per occurrence: 150% of the aggregate  
Total Cost of the Equipment  
subject to the Lease from  
time to time.

Lessee shall provide to Lessor promptly evidence of any insurance procured pursuant to this Section 6.01.

6.02. Policy Provisions. If available, an insurance policy required by Section 6.01 shall:

(a) be noncancellable during its term except upon 30 days' prior written notice to Lessor, Equity and Lender-Trustee; and

(b) name Lessor, Equity and Lender-Trustee as additional assureds or loss payees as their interests may appear without liability for premiums on their part.

6.03. Insurance Statements. Upon a renewal of the insurance coverages required by Section 6.01, Lessee shall furnish to Lessor, Equity and Lender-Trustee a statement showing the types of risk covered, the amount insured thereunder and the expiration date thereof.

6.04. Proofs of Loss. Lessee shall make all proofs of loss and take all other steps necessary to collect from underwriters for any loss under any insurance required by Section 6.01.

6.05. Voluntary Insurance. Payments under a policy not required by Section 6.01 but maintained at Lessee's discretion shall be payable to Lessee for its sole account.

## SECTION 7. COMPLIANCE BY LESSEE WITH LAWS, ETC.

Lessee shall comply with all applicable governmental laws, rules and regulations including, without limitation, the rules of the U.S. Department of Transportation and the Interchange Rules of the Mechanical Division, Association of American Railroads, in effect from time to time pertaining to the possession, use, maintenance and operation of each Item.

However, Lessee need not comply with any such law, rule or regulation while its validity or application is being contested in good faith by appropriate legal proceedings unless failure to comply will have a material adverse effect upon Lessor's title to or Equity's interest in the Equipment or Lender-Trustee's security interest under the Security Agreement or will subject Lessor or Equity to any material risk or criminal liability.



## SECTION 8. MAINTENANCE AND MODIFICATION.

8.01. Maintenance. Lessee at its own expense shall maintain each Item in good operating order, repair and condition, ordinary wear and tear excepted.

8.02. Parts. Subject to Sections 8.03 and 8.04, any parts installed on an Item shall be accessions to it and title to them shall vest immediately in Lessor. Replaced, worn out or defective parts may be retained or disposed of by Lessee for its own account.

8.03. Required Modifications. In accordance with Section 7, Lessee from time to time may be required to make improvements, changes or modifications in an Item (a "Required Modification").

If a Required Modification is readily removable without causing material damage to an Item and if the Required Modification is no longer required by Section 7, Lessee may remove the Required Modification prior to the end of the Term of the Item. If the Required Modification is not so removable, or if it is so removable but is not removed, or if it is then required by Section 7, ownership of the Required Modification without further act by anyone shall pass to Lessor at the end of the Term of the Item.

8.04. Discretionary Modifications. Lessee in its discretion may make improvements, changes or modifications (a "Discretionary Modification") in an Item if the value of the Item is not materially diminished.

If a Discretionary Modification is readily removable without causing material damage to an Item, Lessee may remove the Discretionary Modification prior to the end of the Term of the Item. If a Discretionary Modification is not so removable, or if it is so removable but is not removed, ownership of the Discretionary Modification without further act by anyone shall pass to Lessor at the end of the Term of the Item.

8.05. Further Assurances. Lessee shall execute and deliver to Lessor any instruments reasonably requested by Lessor to confirm the transfer to Lessor of ownership of a Required or Discretionary Modification. If Lessee may remove and does remove a Required or Discretionary Modification from an Item, Lessee shall repair or pay to Lessor the cost of repairing any damage to the Item resulting from the removal. Lessee may retain or dispose of the removed Modification for its own account.

## SECTION 9. REMOVAL OF LIENS BY LESSEE.

Lessee shall promptly remove any Liens imposed upon an Item, except:

(a) the Lien created by the Security Agreement;

(b) non-consensual Liens arising by operation of law in the ordinary course of business for amounts not yet due;

(c) Liens for taxes, assessments or governmental charges not yet due;

(d) Liens, or Liens for amounts, being contested in good faith by appropriate proceedings; or

(e) Liens arising from claims against Lessor or Equity not related either to its ownership of the Item or the Estate or to the transactions contemplated by the Agreements.

However, Lessee shall promptly remove any Lien referred to in clause (d) if failure to do so will have a material adverse effect upon Lessor's title to or Equity's interest in the Equipment or Lender-Trustee's security interest under the Security Agreement.

#### SECTION 10. FILINGS BY LESSEE.

At its cost and expense, Lessee will file and refile the Lease and the Security Agreement and will execute, deliver, file and refile any and all further instruments in such manner and in such places in the United States as may be required to protect under the laws of the United States or any jurisdiction thereof Lessor's title to and Equity's interest in the Equipment and Lender-Trustee's security interest under the Security Agreement. At its cost and expense, Lessee shall prepare and deliver any and all reports (other than tax returns) to be filed with any Governmental Agency by reason of the ownership by Lessor of the Equipment. Lessee shall furnish evidence of any such filings to Lender-Trustee and Lessor and shall provide Lessor and Lender-Trustee with any opinion of counsel required under Section 3.05 of the Security Agreement.

#### SECTION 11. CASUALTY AND OPTIONAL RETIREMENT.

11.01. Casualty Occurrence. The term "Casualty Occurrence" means any one of the following events:

(a) an Item is lost, stolen, destroyed, or, in Lessee's opinion, irreparably damaged or permanently rendered unfit for use from any cause;

(b) use of an Item is taken by any governmental authority within the United States of America

and Lessee or Lessor is in fact denied the use of the Item at the end of the Term of the Item;

(c) use of an Item is taken by any foreign governmental authority for a stated term which exceeds the remaining Term of the Item or for an indefinite term and in either case Lessee is in fact denied the use of the Item for more than one year or for the remaining Term of the Item if the remaining Term is less than one year;

(d) use of an Item is taken by any governmental authority and Lessee elects at any time thereafter while the taking continues to treat such taking as a Casualty Occurrence; or

(e) title to an Item is taken by any governmental authority.

After Lessee has actual knowledge of a Casualty Occurrence, Lessee shall promptly notify Lessor thereof and specify the date thereof.

Each reference in Section 11 to a taking by a governmental authority includes a taking by a non-governmental entity acting under color of law.

11.02. Payment of Casualty Value. After Lessee gives notice of a Casualty Occurrence to an Item, it shall pay Lessor the Casualty Value for the Item on the next Payment Date occurring after the date of the Casualty Occurrence.

However, if the date of the Casualty Occurrence is less than 15 days before the next such Payment Date, Lessee may pay the Casualty Value up to 30 days after such Payment Date. In that event, Lessee shall pay to Lessor interest at the rate specified in Section 18.03 on the Casualty Value from such Payment Date to the date the Casualty Value is paid.

11.03. Optional Retirement of Equipment. If Lessee at any time or from time to time in its good faith judgment determines any 10 or more Items to be economically obsolete, surplus to its requirements or no longer useful in its business (any such determination being referred to as an "Optional Retirement"), and if no Event of Default or Conditional Event of Default has occurred and is continuing, Lessee may terminate the Lease as to those Items. Lessee shall notify Lessor of such determination at least 90 days before the termination date ("Termination Date") selected by Lessee, which shall be a Payment Date occurring on or after July 25, 1984. The notice shall identify the Items and the Termination Date. On the Termination Date, Lessee shall pay Lessor the Termination Value for such Items.

11.04. Determination of Casualty Value and Termination Value. The Casualty Value of an Item shall be determined as of

the Payment Date next occurring after the date of the Casualty Occurrence. If the date of the Casualty Occurrence is a Payment Date, the Casualty Value shall be determined as of such Payment Date. The Casualty Value of an Item as of any Payment Date is the amount determined by multiplying the Total Cost of the Item by the percentage set forth opposite such date in the Schedule of Casualty Value attached as Schedule 2.

The Termination Value of an Item shall be determined as of the Termination Date established pursuant to Section 11.03. The Termination Value of an Item as of any Termination Date is the amount determined by multiplying the Total Cost of the Item by the percentage set forth opposite such date in the Schedule of Termination Value attached as Schedule 3.

If an Item suffers a Casualty Occurrence described in clauses (a) or (e) of Section 11.01 before the end of the then current Term but after Lessee gives notice to Lessor of its election to exercise an option provided in Section 19 or 20, such notice shall not be effective and Lessee shall settle for the Item in accordance with Section 11.02.

11.05. Periodic Rent Termination. Upon payment of the Casualty Value or Termination Value for an Item together with the Interim Rent or Periodic Rent installment due on the Casualty Value or Termination Value Payment Date, the Term of the Item ends, Periodic Rent on it ceases to accrue, and Lessee's right to use it ends. Lessee shall continue to pay Rent for all other Items still subject to the Lease.

11.06. Disposition of Equipment. As agent for Lessor, Lessee at its own expense shall promptly dispose of any Item for which settlement has been made pursuant to Section 11.02 or 11.03. Lessee shall dispose of such Item for cash at the highest price reasonably obtainable on an "as-is", "where-is" basis. If the Item has suffered a Casualty Occurrence described in clauses (b), (c) or (d) of Section 11.01, Lessee may defer disposition of the Item until it or Lessor recovers possession of the Item.

If Lessee has paid Lessor the Casualty Value for an Item, Lessee shall be entitled to receive and retain all:

- (a) proceeds from the disposition of the Item;
- (b) awards or payments for a governmental taking of the Item;
- (c) damages for physical loss or damage to the Item; and
- (d) insurance proceeds for physical loss or damage to the Item from insurance required by Section 6.01,

up to an amount equal to the sum of (i) the Casualty Value and (ii) the expenses incurred by Lessee in disposing of the Item. If Lessor shall receive any of the amounts referred to in clauses (a) through (d) above, it shall promptly pay them over to Lessee up to the foregoing limit. If Lessee shall receive any of those amounts, it shall promptly pay over to Lessor the excess above such limit.

If Lessee has paid the Termination Value for an Item, Lessee shall be entitled to receive and retain all proceeds from the disposition of the Item up to an amount equal to the sum of (i) the Termination Value and (ii) the expenses incurred by Lessee in disposing of the Item. If Lessor shall receive any of such proceeds, it shall promptly pay them over to Lessee up to the foregoing limit. If Lessee shall receive any of such proceeds, it shall promptly pay the excess over such limit to Lessor.

Lessee or an "affiliate" of Lessee may not purchase an Item to be disposed of under this Section 11.06 unless the Item suffered a Casualty Occurrence described in clauses (b), (c) or (d) of Section 11.01. If Lessee is the purchaser of an Item, the purchase price shall not be less than the fair market value of the Item.

An "affiliate" means any company of which Lessee is directly or indirectly a majority-owned subsidiary and any company which is a direct or indirect majority-owned subsidiary of Lessee or such company.

11.07. Governmental Taking. In the event of a taking of an Item by a governmental authority that does not constitute a Casualty Occurrence, Lessee shall continue to pay Periodic Rent, and so long as no Event of Default occurs and is continuing, Lessee shall be entitled to receive and retain for its own account all payments made by the governmental authority as compensation for the taking.

11.08. Pursuit of Claims. Lessor appoints Lessee its agent so long as no Event of Default occurs and is continuing to pursue, in the name of and for the account of Lessor and/or Lessee, as their interests may appear, at Lessee's cost and expense, any claims on account of any loss, damage or destruction to or taking of an Item.

11.09. Risk of Loss. From and after the Acceptance Date for an Item, Lessee shall bear the risk of loss of such Item and shall not be relieved of its obligations in respect of such Item except as expressly set forth in this Lease.

## SECTION 12. ANNUAL REPORTS.

12.01. Annual Report on Equipment. On or before April 30 in each year, starting in 1980, Lessee shall furnish

to Lessor, Equity and Lender-Trustee a statement, as of the end of the preceding calendar year, on the Equipment. The statement shall:

(a) show the quantity, description and car numbers of all Equipment subject to the Lease at the end of such year;

(b) state that the Equipment is being maintained in accordance with the Lease;

(c) show the quantity, description and car numbers of all Items that to Lessee's actual knowledge have suffered a Casualty Occurrence during such year;

(d) state that the legend and car numbers required by Section 4 have been preserved or replaced on Equipment repainted during such year; and

(e) set forth such other information about the condition or repair of the Equipment as Lessor may reasonably request.

12.02. Financial Information about Lessee; No-Default Certificate. Within 120 days after the end of each fiscal year of Lessee, Lessee shall furnish to each Investor and to Lessor, Equity and Lender-Trustee:

(a) its Annual Report on Form 10-K; and

(b) a certificate, signed by a Responsible Officer of Lessee, stating that, to the best of his knowledge, no Event of Default or Conditional Event of Default has occurred and is continuing, or, if it has, specifying the same and the nature and status thereof and the action Lessee is taking or proposes to take with respect thereto.

Upon request, Lessee shall furnish any Party such other financial information about Lessee which is generally available to the public as such Party may reasonably request.

### SECTION 13. RETURN OF EQUIPMENT.

13.01. Return of Equipment at Expiration of Term. Upon expiration of the Term of an Item, Lessee, at its own risk, cost and expense, shall:

(a) ship the Item to a site ("Site") designated in a notice from Lessee to Lessor;

(b) store the Item at the designated Site for the period described below; and

(c) tender the Item to a railroad freight collect consigned in accordance with a notice from Lessor to Lessee stating the destination of the Item.

Lessee shall store at any designated Site at least 25 Items the Terms of which have expired for a period of at least 60 days after the date the last such Item arrives at the Site.

Lessor shall give the notice referred to in clause (c) above before the end of the storage period. Otherwise, Lessee may remove the Item from its Site after the expiration of the storage period and store it at the risk, cost and expense of Lessor at such place as Lessee may designate. Upon Lessee's tender of an Item under clause (c) above, risk of loss shall pass to Lessor.

A "Site" is a site within 50 miles of:

West

- (1) Los Angeles, California;
- (2) Torrance, California;

Midwest

- (3) Chicago, Illinois;

Southwest

- (4) North Seadrift, Texas;
- (5) Texas City, Texas;
- (6) Brownsville, Texas;

South

- (7) Taft, Louisiana;

East

- (8) South Bound Brook, New Jersey;
- (9) Perth Amboy, New Jersey;
- (10) Institute, West Virginia;
- (11) South Charleston, West Virginia;
- (12) Leetsdale, Pennsylvania.

13.02. Return of Equipment Upon Default. If Lessor terminates the Lease as to an Item pursuant to Section 14, Lessee shall forthwith deliver possession of the Item to Lessor. Lessee, at its own risk, cost and expense, shall:

(a) ship the Item to a Site designated in a notice from Lessor to Lessee;

(b) store the Item at the designated Site for a period of at least 180 days; and

(c) tender the Item to a railroad freight prepaid consigned in accordance with a notice from Lessor to Lessee stating the destination of the Item.

Lessor shall give the notice referred to in clause (c) above before the end of the storage period. Otherwise, Lessee may remove the Item from its Site after the expiration of the storage period and store it at the risk, cost and expense of Lessee at such place as Lessee may designate. Upon Lessee's tender of an Item under clause (c) above, risk of loss shall pass to Lessor. During any storage period pursuant to clause (b) above, Lessee shall maintain the insurance required by Section 6.01.

Without in any way limiting Lessee's obligations under this Section 13.02, Lessee irrevocably appoints Lessor as Lessee's agent during the continuance of an Event of Default to demand and take possession of an Item from anyone who has possession of it.

13.03. Condition of Equipment on Return. Upon Lessee's tender of an Item under clause (c) of Section 13.01 or 13.02, the Item shall be in good operating order, repair and condition, ordinary wear and tear excepted, and it shall be free and clear of all Liens except those permitted by Section 9. Also, the Item shall be suitable for use in interchange except for restrictions on interchange dependent on the age or ownership of the Item.

13.04. Specific Performance. The provisions of this Section 13 are of the essence of the Lease. Accordingly, Lessor shall be entitled to specific performance of such provisions.

#### SECTION 14. DEFAULTS AND REMEDIES.

14.01. Events of Default. The term "Event of Default" means any one of the following events:

(a) Lessee shall fail to pay Basic Rent when due and such failure shall continue for more than 10 days;

(b) Lessee shall fail to perform any of its other agreements herein or in an Agreement to which it is a party, and such failure shall continue for 30 days after written notice from Lessor to Lessee;

(c) Lessee shall make any representation or warranty herein or in an Agreement to which it



is a party, or in a statement or certificate furnished pursuant thereto, which shall be incorrect in any material respect when made, and such condition shall continue unremedied for 30 days after written notice from Lessor to Lessee;

(d) Lessee shall become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or

(e) Bankruptcy, reorganization, arrangement or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors shall be instituted by or against Lessee; or Lessee shall permit or there shall occur under any such law or laws any involuntary transfer of its interest hereunder or of all or substantially all of Lessee's property by bankruptcy or by the appointment of a receiver or trustee or by execution or by any judicial or administrative decree or process or otherwise; unless in every such case such proceedings (if instituted against Lessee) shall be dismissed within 60 days or such assignment, transfer, decree or process shall within 60 days from the filing or other effective date therein be nullified, stayed or otherwise rendered ineffective.

14.02. Remedies. When an Event of Default has occurred and is continuing, Lessor at its option at any time may:

(a) institute legal proceedings to enforce performance by Lessee of its agreements herein or in an Agreement to which it is a party or to recover damages and expenses (including fees and expenses of counsel) for breach thereof; and/or

(b) from time to time, by notice in writing to Lessee, terminate the Lease as to one or more Items.

If Lessor terminates the Lease as to an Item, Lessee's right to use it shall terminate immediately. Thereafter, Lessor itself or by its agents with or without notice or legal process may enter upon Lessee's premises or other premises where the Item is located and may repossess the Item. Lessor may remove and store at Lessee's cost and expense any freight on board the Item. Lessor may recover from Lessee as to that Item:

(1) all amounts due or accrued (on a daily basis) under the Lease as to the date of termination;

(2) costs and expenses (including fees and expenses of counsel and expenses of the recovery

and disposition of any Item) incurred by Lessor on account of Lessee's breach; and

(3) for loss of a bargain and not as a penalty, Liquidated Damages computed in accordance with Section 14.03.

14.03. Liquidated Damages. "Liquidated Damages" as to an Item means, at Lessor's option, either:

(a) an amount equal to the excess of:

(i) the present worth, at the time of termination pursuant to Section 14.02, of all Periodic Rent which otherwise would have been payable from the date of termination to the end of the Term of the Item, over

(ii) the then present worth of the then Rental Value of the Item for such period; or

(b) an amount equal to the excess of:

(i) the Casualty Value of the Item, determined as if a Casualty Occurrence had occurred on the date of termination, over

(ii) the then Sales Value of the Item.

Present worth in clauses (a)(i) and (a)(ii) above shall be computed using a discount rate of 6% per annum, compounded semiannually from the respective dates upon which Periodic Rent otherwise would have been payable.

Rental Value and Sales Value for an Item shall be determined by the Appraisal Procedure specified in Section 19, except that Lessor rather than Lessee may request the Appraisal Procedure and Lessee shall pay the appraisal expenses. However, any sale in a commercially reasonable manner of an Item prior to any such determination shall conclusively establish the Sales Value of the Item, and any leasing in a commercially reasonable manner of an Item prior to any such determination shall conclusively establish the Rental Value of the Item.

14.04. Cumulative Remedies, etc. No remedy is exclusive of any other remedy. All remedies available to Lessor are cumulative and are in addition to all other remedies available to it at law or in equity. Nevertheless, Lessor shall be entitled to only one satisfaction of Lessee's obligations. Failure by Lessor to exercise a right shall not constitute a waiver of it. A waiver

by Lessor of an Event of Default shall not constitute a waiver of any other Event of Default. Lessee hereby waives to the extent permitted by law any mandatory requirements of law now or later in effect which might limit or modify any remedies provided herein.

#### SECTION 15. LESSOR'S INSPECTION RIGHTS.

Lessor may inspect the Equipment and Lessee's records for the Equipment to verify its existence and to confirm compliance by Lessee with the Lease. Lessor may make such inspection on the following conditions:

- (a) the places, times, manner and frequency of inspection shall be reasonable;
- (b) the inspection shall be subject to Lessee's normal safety and security procedures;
- (c) the inspection shall be made only after reasonable prior notice to Lessee;
- (d) unless Lessee is negligent, Lessee shall not be responsible for any injury to or death of any person making such inspection; and
- (e) the inspection shall be at Lessor's cost and expense.

Lender-Trustee may inspect the Equipment and such records on the same conditions set forth above.

During the last 90 days of the Term of an Item and during any storage period provided in Section 13, a prospective purchaser of the Item may inspect it on the same conditions set forth above.

#### SECTION 16. ASSIGNMENT BY LESSOR.

Lessee acknowledges that pursuant to the Security Agreement Lessor has assigned to Lender-Trustee all Basic Rent and certain other sums now or hereafter due or to become due under this Lease. Accordingly, Lessee shall pay to Lender-Trustee when due all Basic Rent and such other assigned sums now or hereafter to become due under this Lease until such time as the Security Agreement is terminated in accordance with its terms.

Lessee acknowledges that the rights of Lender-Trustee to Basic Rent and such other assigned sums payable by Lessee under the Lease shall not be subject to any abatement and shall not be subject to any defense, set-off, counterclaim or recoupment whether by reason of failure of or defect in Lessor's title, or any interruption from any cause in the use, operation or possession of any

Item, or any damage to or loss or destruction of any Item, or by reason of any other indebtedness or liability of Lessor to Lessee or any other person or for any other cause whatsoever.

Lessee also acknowledges that Lessor has not assigned to anyone its rights to indemnity under Sections 11, 12 and 13 of the Participation Agreement or its rights to any proceeds from public liability insurance under Section 6 of the Lease.

Lender-Trustee shall have the sole right in its own name or in Lessor's name to exercise all rights and remedies of Lessor as to the Equipment until such time as the Security Agreement is terminated in accordance with its terms. Lender-Trustee shall not be responsible for any of Lessor's agreements in any Agreement.

#### SECTION 17. ASSIGNMENT, SUBLEASING AND USE BY LESSEE.

17.01. Quiet Enjoyment. So long as no Event of Default occurs and is continuing:

(a) Lessee shall be entitled to the possession, use and quiet enjoyment of the Equipment in accordance with the Lease; and

(b) Lender-Trustee's security interest in the Equipment shall be subject and subordinate to Lessee's leasehold interest therein.

17.02. Assignment and Subleasing by Lessee. Subject to Section 17.05, Lessee may not assign all or any part of its leasehold interest in the Lease or sublease all or any part of the Equipment without Lessor's prior written consent, which Lessor shall not unreasonably withhold.

However, Lessor's consent shall not be required for:

(a) the sublease of an Item for a period of three years or less;

(b) the Triplease of an Item; or

(c) the use of an Item by others in the interchange of traffic.

A "Triplease" is a sublease of an Item to a vendor, consignor, vendee or consignee of Lessee or of a person whose rights are derived from or through Lessee. It has a term that covers the time required to transport a shipment therein to or from such person and the time required to load or unload the shipment, including waiting time.

Any sublease for more than three years shall be by its terms expressly subject and subordinate to the Lease.

Any assignment or sublease by Lessee shall not relieve Lessee of any of its obligations under the Lease, and Lessee shall at all times continue to be primarily liable under the Lease as a principal and not as a surety.

17.03. Use Outside the United States. Lessee shall not use or permit others to use the Equipment outside the United States. However, Lessee from time to time may use or permit others to use the Equipment in Canada or Mexico if:

(a) during any calendar year the total use of Equipment outside the United States does not exceed more than 2% of the total use of the Equipment in the United States and outside the United States; and

(b) each Item is used wholly or in part in the United States.

17.04. Mileage. Lessee shall collect and retain for its own account all mileage allowances, rentals and other compensation ("Mileage") payable by carriers for the use of the Equipment. If the aggregate Mileage so collected exceeds the aggregate of the Rent and any and all additional amounts theretofore paid by Lessee pursuant to the terms hereof (all of which amounts, for the purpose of this Section 17.04 only, shall be deemed to be "Rent"), Lessee will pay over the excess to Lessor at such times and to such extent as may be required by law.

17.05. Merger, Consolidation or Acquisition of Lessee. Nothing in the Lease shall restrict Lessee's right to assign its leasehold interest in the Lease or to transfer possession of Equipment to any person into which Lessee is merged or with which it is consolidated or to which it transfers all or substantially all its assets. However, the surviving corporation or the transferee shall assume in writing, by instrument satisfactory in form and substance to Lessor and Lenders, all of Lessee's obligations under the Lease.

## SECTION 18. MISCELLANEOUS.

18.01. Incorporation by Reference. The provisions set forth in Section 15 of the Participation Agreement (other than Sections 15.06, 15.11, 15.12 and 15.17) are incorporated by reference and made a part of this Lease as if set forth in this Section 18.01.

18.02. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of New York.

18.03. Limitation on Liability. Lessor is acting solely in a fiduciary capacity under the Trust Agreement, and is executing this Lease only in such fiduciary capacity, with the purpose and intention of binding only the Estate, as defined in the Trust

Agreement. Accordingly, Lessor in its individual capacity shall not be bound by nor have any liability for any representation, warranty or agreement made by Lessor herein. However, Lessor in its individual capacity shall be bound by and have liability for any representation, warranty or agreement made by Lessor in Sections 7, 8.02 and 10 of the Participation Agreement.

18.04. Lessor's Right to Perform for Lessee. If Lessee fails to perform any of its agreements herein, Lessor may perform them. Lessor shall not be obligated to do so, and Lessor's performance shall not excuse Lessee's non-performance.

If Lessor incurs any expense in performing for Lessee, Lessee shall reimburse Lessor on demand in an amount equal to such expense together with interest thereon at the rate specified in Section 18.05 from the date Lessor incurred the expense to the date it is reimbursed.

18.05. Interest on Overdue Rent. Lessee shall pay interest at the rate of 1% per annum above the interest rate on the Secured Notes on all overdue Rent until such Rent is paid. If that rate exceeds the maximum rate permitted by law, Lessee will pay interest at the maximum rate permitted by law.

## SECTION 19. RENEWAL OPTIONS.

19.01. Lessee Request for Determination of Fair Market Values. Not more than 540 days nor less than 360 days before the Primary Term or the first Renewal Term, if any, of an Item ends, Lessee may request from Lessor a determination of:

(a) the fair market rental value ("Rental Value") of the Item as of the end of such Term;

(b) the fair market sales value ("Sales Value") of the Item as of the end of such Term;  
and

(c) the Sales Value of the Item as of the end of the next succeeding Renewal Term.

Before the second Renewal Term, if any, of an Item ends, Lessee within the same time period may request from Lessor a determination of the Sales Value of the Item as of the end of such Term. Thereafter, Lessor and Lessee shall consult for the purpose of determining such Rental Value and Sales Values of the Item. Any values agreed upon by Lessor and Lessee in writing shall constitute the Rental Value and Sales Values of the Item for purposes of this Section 19 and Section 20. If Lessor and Lessee fail to agree upon such values at least 270 days before the current Term ends, Lessee may request that such values be determined by the Appraisal Procedure. Lessee's request for a determination of such values shall not obligate Lessee to exercise any renewal or purchase option provided in this Section 19 or Section 20.

and not more than 540 days before the end of the then current Term of its election to exercise a renewal option provided for in this Section.

All of the provisions of the Lease shall be applicable during the Renewal Term except that:

(a) Periodic Rent for an Item during the Renewal Term shall be the lesser of (i) the Rental Value of such Item as of the end of the immediately preceding Term or (ii) an amount equal to 1.97105% of the Total Cost of such Item; and

(b) the Casualty Values and Termination Values shall be determined in accordance with Section 19.05.

19.05. Casualty Value and Termination Value During Renewal Term. During a Renewal Term, the Casualty Value and Termination Value of an Item:

(a) as of the commencement of the Renewal Term shall be the Sales Value of the Item as of the end of the preceding term;

(b) as of the end of the Renewal Term shall be the Sales Value of the Item as of the end of such Term; and

(c) on each Payment Date during the Renewal Term shall be a value determined on a declining straight-line basis from the Sales Value in clause (a) above to the Sales Value in clause (b) above.

19.06. Appraisal Expenses. Lessee shall bear all costs and expenses of any appraisal pursuant to Section 19. However, if Lessee exercises an option to renew with respect to which Lessee has requested an appraisal, Lessee and Lessor shall each pay its own appraiser, if any, and shall divide and pay equally all other costs and expenses of the appraisal.

## SECTION 20. PURCHASE OPTION.

Lessee shall have the right and option on the date a Renewal Term of an Item ends to purchase all but not less than all Items then subject to the Lease with the same lease expiration date. Lessee shall give to Lessor written notice at least 180 days and not more than 540 days before the end of such Renewal Term of its election to exercise the purchase option provided for in this Section.

The purchase price of each Item shall be an amount equal to its Sales Value as of the end of such Renewal Term.

19.02. Standard for Determining Fair Market Values. The Rental Value of an Item shall be determined on the basis of, and shall be equal to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor in each case under no compulsion to lease. Sales Value of an Item shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than a used equipment or scrap dealer or a lessee currently in possession) under no compulsion to buy and an informed and willing seller under no compulsion to sell. In any such determination, transportation costs shall not be a deduction from value, and parts or equipment which Lessee may remove from an Item under Section 8 shall not be treated as part of the Item.

19.03. Appraisal Procedure. The following procedure is the "Appraisal Procedure". If Lessee requests from Lessor a determination of the Rental Value or Sales Values of an Item by the Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement.

If no such appraiser is so appointed within ten Business Days after such request is made, each party shall appoint an independent appraiser within 15 Business Days after such request is made. The two appraisers so appointed shall within 20 Business Days after such request is made appoint a third qualified independent appraiser.

If no such third appraiser is appointed within 20 Business Days after such request is made, either party may promptly apply to the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment.

Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Rental Value and Sales Values of the Item within 60 days after his or their appointment. If the parties have appointed a single appraiser, his determination of value shall be final. If three appraisers are appointed, the mean average of the values determined by the three appraisers shall be computed, the single determination, if any, which differs most from such mean average shall be excluded, the mean average of the remaining determinations shall be computed and such mean average shall be final.

19.04. Options to Renew. Lessee shall have the right and option on the date the Primary Term of an Item ends to renew the Lease for all but not less than all Items then subject to the Lease with the same lease expiration date for a Renewal Term of five years commencing when the Primary Term ends. Lessee shall have the right and option on the date the first Renewal Term, if any, of an Item ends to renew the Lease for all but not less than all Items then subject to the Lease with the same lease expiration date for a second Renewal Term of five years commencing when the first Renewal Term ends. Lessee shall give to Lessor written notice at least 180 days



Lessee shall pay the purchase price to Lessor on the date such Renewal Term ends in immediately available funds at the place of payment specified in Section 3.05. Lessor shall transfer the Item to Lessee or its nominee on such date by delivering appropriate instruments of transfer. Any purchase by Lessee shall be on an "as-is", "where-is" basis, subject, however, to compliance by Equity and Lessor with Section 10 of the Participation Agreement.

#### SECTION 21. RIGHT OF FIRST REFUSAL.

If upon expiration of the Primary Term Lessee does not renew the Lease for a Renewal Term, Lessee shall have a right of first refusal with respect to any proposed sale of an Item, and Lessor may not sell the Item to anyone else except on the following terms and conditions:

(a) Lessor shall notify Lessee in advance of its intention to sell the Item.

(b) Promptly after Lessor receives its first arm's-length, bona fide offer to purchase the Item which it is prepared to accept, Lessor shall notify Lessee thereof. Lessor shall disclose the identity of the offeror, the purchase price and all other material terms of the offer.

(c) Within 15 days after Lessee receives Lessor's notice, Lessee shall notify Lessor that Lessee elects to exercise its right of first refusal or that it elects not to exercise such right.

(d) If Lessee elects to exercise such right, Lessee in its notice shall specify a purchase date to occur not later than 15 days after the date on which it receives Lessor's notice pursuant to clause (b) above.

(e) On the purchase date, Lessee shall pay to Lessor the purchase price specified in the bona fide offer in immediately available funds at a place of payment designated by Lessor. On such date, Lessor shall transfer the Item to Lessee or its nominee by delivering appropriate instruments of transfer. Any purchase by Lessee shall be on an "as-is", "where-is" basis, subject, however, to compliance by Equity and Lessor with Section 10 of the Participation Agreement.

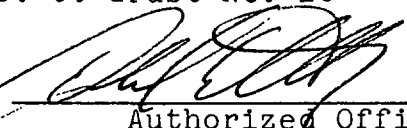
(f) If Lessee elects not to exercise its right of first refusal as to an Item, Lessor may sell the Item at a price and on other terms and conditions no less favorable to Lessor than those specified in the bona fide offer.

(g) Lessee's right of first refusal shall expire as to any sale of an Item made by Lessor more than two years after the end of the Primary Term of the Item if the commitment to sell the Item was entered into after such two-year period.

IN WITNESS WHEREOF, Lessor and Lessee have signed this Lease on the dates shown on the acknowledgments hereto.

THE CONNECTICUT BANK AND TRUST  
COMPANY, as Trustee under  
U. C. Trust No. 18

By

  
Authorized Officer

LESSOR

[CORPORATE SEAL]

Attest:

  
Authorized Officer

UNION CARBIDE CORPORATION

By

Its

  
TREASURER

LESSEE

[CORPORATE SEAL]

Attest:

  
Assistant Secretary

STATE OF CONNECTICUT     )  
                                      )     SS  
COUNTY OF HARTFORD     )

On this 1st day of June, 1979, before me personally appeared Donald E. Smith, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Barbara S. Kacich  
Notary Public

[NOTARIAL SEAL]

BARBARA S. KACICH  
NOTARY PUBLIC  
MY COMMISSION EXPIRES MARCH 31, 1982

My Commission Expires:

STATE OF NEW YORK     )  
                                      )     SS  
COUNTY OF NEW YORK     )

On this 30 day of May, 1979, before me personally appeared S.E. Nightingale, to me personally know, who, being by me duly sworn, says that he is a Treasurer of UNION CARBIDE CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Diane E. Buckland  
Notary Public

[NOTARIAL SEAL]

DIANE E. BUCKLAND  
Notary Public, State of New York  
No. 41-4646611  
Qualified in Queens County  
Certificate Filed with N.Y. County Clerk  
Commission Expires March 30, 1981

My Commission Expires:

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)*</u>	<u>Estimated Time of Delivery</u>
203	100-ton railroad covered hopper cars	UCFX 57101 through UCFX 57303	135 Items in June-July 1979; 68 Items in December 1979
8	100-ton railroad tank cars	UCFX 30001 through UCFX 30008	December 1979

\*A car number includes a mark, comprised of letters, followed by numerals.

SCHEDULE 1  
(to Lease)

# SCHEDULE OF CASUALTY VALUE

Casualty Values are expressed as a percentage of Total Cost and are exclusive of Interim Rent or Periodic Rent then due

Primary Term Commencement Date  
or  
Periodic Rent  
Payment Date  
Number

Casualty Value  
Percentages

Primary Term Commencement Date	105.22159%
1	105.22159
2	106.74282
3	108.04840
4	108.87800
5	109.43773
6	109.78887
7	109.91967
8	109.83809
9	109.54751
10	109.06490-
11	108.38858
12	107.54197
13	106.51830
14	105.34759
15	104.11282
16	102.74409
17	101.26419
18	99.67900
19	98.01620
20	96.27213 -
21	94.44274
22	92.52383
23	90.52754
24	88.47356
25	86.37849
26	84.24153
27	82.07821
28	79.87491
29	77.64047
30	75.36022 -
31	73.03618
32	70.66636
33	68.25165
34	65.78915
35	63.28052
36	60.72196
37	58.11591
38	55.45770
39	52.75059
40	49.98899
41	47.17706

Primary Term Commencement Date  
or  
Periodic Rent  
Payment Date  
Number

Casualty Value  
Percentages

42  
43  
44  
45  
46  
47  
48  
49  
50

44.30820%  
41.38755  
38.40744  
35.37402  
32.27852  
29.12815  
25.91297  
22.64132  
19.28952

# SCHEDULE OF TERMINATION VALUE

Termination Values are expressed as a percentage of Total Cost  
and are exclusive of Periodic Rent then due

<u>Periodic Rent Payment Date Number</u>	<u>Termination Value Percentages</u>
8*	106.99263%
9**	106.61562
10	106.04393
11	105.27585
12	104.33468
13	103.21359
14	101.94248
15	100.60428
16	99.12897
17	97.53925
18	95.84090
19	94.06151
20	92.19730
21	90.24414
22	88.19768
23	86.06997
24	83.88058
25	81.64598
26	79.36527
27	77.05382
28	74.69789
29	72.30619
30	69.86390
31	67.37289
32	64.83104
33	62.23906
34	59.59391
35	56.89709
36	54.14461
37	51.33876
38	48.47467
39	45.55544
40	42.57526
41	39.53813
42	36.43722
43	33.27746

\*Applies to Group 3 Items only  
\*\*Applies to Group 2 and 3 Items only

Periodic Rent Payment  
Date Number

44  
45  
46  
47  
48  
49  
50

Termination Value  
Percentages

30.05099%  
26.76373  
23.40666  
19.98679  
16.49391  
12.93614  
9.28952



CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

UNION CARBIDE CORPORATION ("Lessee") certifies that:

1. Pursuant to Section 2.02 of the Lease dated as of April 1, 1979 ("Lease"), between Lessee and The Connecticut Bank and Trust Company, as Trustee under U. C. Trust No. 18 ("Lessor"), Lessee has inspected and accepted delivery of the units of railroad equipment ("Items") shown on Schedule 1 hereto. Those Items were accepted at the place and on the date shown below:

Place Accepted:

Date Accepted:

Item: 2. To the extent Lessee's inspection can determine, each

(a) is in good order and condition;

(b) conforms to the Purchase Order's specifications for it in all material respects; and

(c) conforms to applicable rules, regulations and specifications of the U.S. Department of Transportation and Interchange Rules of the Mechanical Division, Association of American Railroads.

3. Each Item has not been put into service prior to the date hereof.

4. The legend required by Section 4 of the Lease is conspicuously and legibly placed on both sides of each Item in letters not less than 1/2" in height.

5. Lessee has complied with all agreements and conditions in the Lease and Participation Agreement which it is required to comply with on or before the date hereof.

6. The aggregate Total Cost of the Items covered by this Certificate plus the aggregate Total Cost of all Items previously or concurrently accepted by Lessee under the Lease does not exceed \$10,300,000.

This Certificate is without prejudice to any right which Lessor or Lessee may have against a Manufacturer or any other person, except as otherwise provided in the Lease.

Terms defined in the Lease have the same meanings herein,  
unless the context hereof otherwise requires.

Dated:

UNION CARBIDE CORPORATION

By \_\_\_\_\_

Quantity

Manufacturer

Description

Car Nos.

SCHEDULE 1  
(to Certificate of Acceptance No. \_\_)

LEASE SUPPLEMENT NO. \_\_\_\_\_

Dated as of \_\_\_\_\_, 19\_\_

UNION CARBIDE CORPORATION ("Lessee") and THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee under U. C. Trust No. 18 ("Lessor"), have entered into a Lease dated as of April 1, 1979 ("Lease"), providing for Lease Supplements like this one. Terms defined in the Lease have the same meanings herein, unless the context hereof otherwise requires.

Lessor and Lessee agree that Schedule 2 hereto correctly sets forth the Total Cost, Interim Term, Interim Rent, Primary Term, Periodic Rent for the Primary Term, and Payment Dates for the Items shown on Schedule 1 hereto.

This Lease Supplement is without prejudice to any right which Lessor or Lessee may have against a Manufacturer or any other person, except as otherwise provided in the Lease.

UNION CARBIDE CORPORATION

By \_\_\_\_\_

LESSEE

THE CONNECTICUT BANK AND TRUST  
COMPANY, as Trustee under  
U. C. Trust No. 18

By \_\_\_\_\_

LESSOR

Quantity

Manufacturer

Description

Car Nos.

Total Cost: \$\_\_\_\_\_ per Item or an aggregate  
Total Cost of \$\_\_\_\_\_.

Interim Term: From the Acceptance Date of the  
Item to \_\_\_\_\_, 19\_\_.

Interim Rent:

Primary Term: \_\_\_\_\_, to and including  
\_\_\_\_\_.

Periodic Rent for  
Primary Term:

Payable in 50 installments as  
follows:

50 equal semiannual installments  
in the amount of \$\_\_\_\_\_  
per Item or an aggregate of  
\$\_\_\_\_\_, payable on  
\_\_\_\_\_, and on  
each January 25 and July 25  
thereafter to and including  
\_\_\_\_\_.